

THE COMMONWEALTH GROWS

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*Making a difference in
Kentucky's agricultural
communities
by cultivating new
economic prosperity.*

NGA RECOGNIZES KENTUCKY'S AGRICULTURE INVESTMENT

The National Governor's Association (NGA) Center for Best Practices recently recognized the Kentucky Agricultural Development Fund as a national model for agricultural development. In its nationally distributed issue paper entitled "Innovative State Policy Options to Promote Rural Economic Development," released in February, the NGA says that Kentucky's approach of combining local plan and priority development with a business approach to capital investment represents a new and effective way to promote agricultural development and diversification.

The Agricultural Development Fund is at the heart of reinvigorating the agriculture economy in Kentucky through diversification and value-added agriculture strategies. Kentucky's effort to diversify away from tobacco production, while revitalizing the farm economy, by investing 50% of Kentucky's Master Settlement Agreement into the Kentucky Agricultural Development Fund is a commitment that has garnered praise across the country.

The report states, "*The most innovative programs provide resources for careful planning and market analysis and technical assistance to emerging agricultural entrepreneurs.*" (NGA Center for Best Practices, February 2003)

"What Kentucky is doing is the right focus on re-energizing the entrepreneurial spirit in the tobacco community," stated Phil Psilos, the NGA Director of Economic and Technology Policy Studies. "I can't overstate how important this is. This is a national model that combines top-down strategic coordination and bottom-up planning."

Through investments from the Agricultural Development Fund, we have made notable progress in the past two-plus years in reducing dependency on tobacco income. However, our commitment must be sustained. There is still much work to be done to ensure a sustainable rural economy for future generations. We have embarked on a long-term project that demands the continued commitment of future Governors, our General Assembly, and the citizens of the Commonwealth.

Unless this commitment is maintained, we will be compromised in our ability to maximize the return on investments already made, not to mention leaving work unfinished in our state's most tobacco dependent areas. This program is a long-term approach to creating the new revenue that the Commonwealth needs so badly at present. Tobacco income has been reduced by about \$500 million in each of the last three years. This loss is only part of the revenue problems facing legislators, but the Agricultural Development Fund program has established a sound foundation for future economic growth on farms and in rural communities throughout Kentucky.

The National Governors Association (NGA) is the collective voice of the nation's governors and one of Washington, D.C.'s most respected public policy organizations.

For more information on the Agricultural Development Fund and financing opportunities through the fund contact the Governor's Office of Agriculture.


Executive Director

PHASE II PAYMENT 2002

Kentucky Governor Paul E. Patton announced on December 31, 2002 the distribution of payment checks compensating tobacco growers and quota owners in Kentucky, as a result of the national legal settlements with tobacco companies. Compensation checks totaling over \$134 million from the settlement were distributed to 149,000 Kentucky tobacco growers and quota owners.

The compensation comes from the 1999 Phase II settlement between tobacco-growing states and the four largest cigarette manufacturers to offset expected income losses to farmers resulting from the changes within the tobacco industry. This distribution represents the fourth of

the scheduled twelve annual payments from the Trust. The agreement provides Kentucky farmers \$1.5 billion for annual payments through the year 2010. To date, the Kentucky Tobacco Settlement Trust Corporation has facilitated payments of more than \$328 million since the establishment of the Trust in 1999, and boasts the lowest administrative costs of all major tobacco states.

Phase II tobacco settlement compensation is provided equally for three factors of tobacco production: quota, land and labor. Quota compensation is based on crop year 2001 basic quota. Land and labor compensation is based on an average of crop years 1998, 1999, and 2000 effective quota and actual marketing. This average is referred to as payment pounds.

Governor Patton negotiated favorable terms for distribution of the \$5.15 billion National Tobacco Growers Settlement Trust Fund (Phase II tobacco settlement). States' shares are determined by relative share of the total 1998 basic quota for flue-cured and burley tobacco. This formula ensured Kentucky received 30 percent of the funds – the second largest state share.

"One of the most important aspects of my job is protecting the interests of tobacco farmers and other agricultural producers in Kentucky," said Patton. "I was pleased to be part of the negotiation process on behalf of our state's farmers."



Doug Langley, a Shelby County farmer and County Council member, welcomed guest to his farm for the Phase II check presentation.

\$597,593 Invested in Kentucky Agricultural Diversification in November

State Agricultural Development Funds approved:

\$50,000 Kentucky Association of Second Harvest Food Banks

Kentucky Association of Second Harvest Food Banks received \$50,000 in state funds to establish a pilot program to purchase surplus produce from Kentucky producers. Funds will be used to purchase refrigerators and freezers for participating food banks to allow efficient distribution of perishable food, which is currently not feasible as the food banks' storage is geared towards non-perishable canned goods. Kentucky producers will have another viable market for their products, and the produce will be used to provide emergency food assistance for those in need.

\$105,000 Shady Lane Poultry Farm, Inc.

Shady Lane Poultry Farm, Inc. received \$104,000 in state funds and \$ 1,000 in Clark County funds to construct a poultry hatchery to provide Kentucky producers with a local source for a full line of quality, specialty breed poultry chicks. The breeds will be developed to meet local market demands and allow Kentucky producers to differentiate their products. Initially, three farm families will be contracted to produce eggs for the hatchery and plans are to expand production by adding six more producers by the third year.

County Agricultural Development Funds approved:

\$15,000 Shelby County Chamber of Commerce

The Shelby County Chamber of Commerce received \$15,000 of Shelby County funds for a Farm Family Continuing Education Program to teach producers skills that enhance the farming operation and/or make them more qualified for non-farm employment. Active agricultural producers, full and part-time, will qualify for the program. Producers will be reimbursed fifty percent of their course costs, excluding books, after successful completion of the course.

\$9,300 Owensboro Community College

Owensboro Community College received \$9,300 in county funds to expand the Agriculture Technology Program by building a greenhouse facility for students and community members with an emphasis on enhanced value added agromonic practices. Three counties contributed to the Owensboro Community College project, including \$5,300 from Daviess County, \$2,500 from McLean County, and \$1,500 Ohio County.

\$2,349.77 Triple T Farms

Triple T Farms received \$2,349.77 in Pulaski County funds to develop and coordinate markets for fresh culinary herbs and specialty items in the state and beyond. The funds will be used to purchase equipment to expand Triple T's current facilities to meet the demands from production increases and fulfill its new role as the collection point and marketing center for producers. Triple T Farms will contract with growers in the state, supply growers with transplants at a twenty percent discount and provide production education to new growers along with technical support throughout the season.

\$501 Jackson Purchase Foundation, Inc.

The Jackson Purchase RC&D Foundation, Inc. received \$501 in Fulton County funds to administer a one-day Women in Agriculture seminar. The seminar will focus on improving the quality of farm life through agricultural diversification.

Kentucky Center for Agricultural Development and Entrepreneurship funds approved:

\$39,500 University of Kentucky, Department of Forestry

UK Department of Forestry received \$ 39,500 in KCADE funds to support the Natural Resource and Leadership Institute, NRLI. NRLI is a leadership development program for individuals in agriculture and natural resource fields. The program includes training in interpersonal communication, conflict resolution, policy-making, networking, and collaborative problem solving to enable participants to be more successful in their business and community activities.

\$1,272,375 Invested in Kentucky Agricultural Diversification in December

County Agricultural Development Funds approved:

\$50,000 Woodford County Extension District

The Woodford County Extension District received \$50,000 in Woodford County Agricultural Development Funds to install a certified kitchen into a 2,880 square foot building expansion project. This certified kitchen would provide the farmers of Woodford County the opportunity to add value to their products. This expansion will also serve as additional educational space for local farmers. Woodford County has had a very high level of participation in their local agricultural diversification program, and the need exists for a facility to process, market and educate small-scale agribusinesses.

\$157,053 Scott County Beef Improvement Association, Inc.

The Scott County Beef Improvement Association received \$157,053 in Scott County Agriculture Development Funds to implement and administer an on-farm water enhancement program for Scott County Producers. Funds would be utilized to develop and enhance farm ponds, drill wells for subsurface aquifers, develop springs, and to construct small stream water basins. A consultant with extensive experience will be utilized to make site visits to applicants' farms and provide technical recommendations. A minimum of three site visits would be required for any approved participant: an initial evaluation visit, a progress visit, and a final visit upon completion.

\$2,000 Renaissance on Main

The City of Cadiz, Renaissance on Main and the Farmers Market received \$2,000 of Trigg County Agricultural Development Funds to aid in the development and continuation of a farmers market in the Cadiz/Trigg County community.

\$7,700 Harton Farms

Harton Farms received \$7,700 in Trigg County Agricultural Development Funds to assist in the purchase of a tobacco steamer unit to add value to existing crops and to provide support and custom services for other tobacco producers in Trigg, Lyon, and Christian counties. The steamer will allow producers to use one tobacco barn to fire cure two crops of dark fired tobacco in one growing season, thus dramatically increasing their efficiency. Harton Farms anticipates providing steamer services to 10-15 tobacco producers in the first year.

\$7,700 Lawrence Brothers Farms

Lawrence Brothers Farms received \$7,700 in Trigg County Agricultural Development Funds to assist in the purchase of a tobacco steamer unit to add value to existing tobacco crops and to provide support and custom services for other tobacco producers in Trigg, Lyon, Caldwell and Christian counties. The steamer will allow producers to use one tobacco barn to fire cure two crops of dark fired tobacco in one growing season, thus increasing their efficiency dramatically. Lawrence Brothers Farms anticipates providing steamer services to 10-15 tobacco producers in the first year.

Over \$37.5 million in county funds have been invested in County Model Programs since January 2001.

\$889,126.44 Invested in Kentucky Agricultural Diversification in January

County Agricultural Development Funds approved:

\$6,000 Jessamine County FFA Alumni Association

Jessamine County FFA Alumni Association received approval for \$6,000 in Jessamine County funds to establish a cost-share of up to \$500 for FFA and 4-H student projects for the year 2003. These funds will help students invest in projects in the field of agriculture and will require students to prepare a projection of the project cost and keep records of the success or failure of their venture. FFA and 4-H students would submit applications for their projects and their budget. By funding an initial 50% cost-share, students would be expected to be able to fund their own project the following year with no cost-share assistance.

\$74,000 Ballard County Conservation District

The Ballard County Conservation District received approval for \$74,000 in Ballard County funds to administer a precision agriculture program. The program will allow progressive grain farmers in Ballard County to adopt equipment that should allow for more efficiency, be more environmentally friendly, and increase profits for grain production.

\$15,750 Bracken County Agricultural Advancement Council

Bracken County Agricultural Advancement Council received approval for \$15,750 in Bracken County funds to establish a cost-share of up to \$500 for FFA and 4-H student projects. These funds will assist students invest in projects in the field of agriculture and will require students to prepare a projection of the project cost and keep records of the success or failure of their venture. FFA and 4-H students would submit applications for their projects and the funding requirements. By funding an initial 50% cost-share students are expected to be able to fund their own project the following year with no cost-share assistance.

\$2,675 Technology for Green County High School Agriculture Department

Green County High School received approval for \$2,675 of Green County funds to expand the school's agricultural department's technological resources. The funds would be used to purchase computer programs, lab kits, CD-ROMS, videos, a projector and GPS literature.

Kentucky Center for Agricultural Development and Entrepreneurship Funds approved:

\$15,000 Kentucky Aquaculture Association, KAA

KAA received KCADE funds to underwrite up to one-half of the registration for Kentucky aquaculture producers to attending the National Aquaculture meeting in Louisville.

\$48,720 Center for Information Technology Enterprise, CITE

CITE received KCADE funds to develop a three-level plan for developing a comprehensive computer-based information resource for the farm community.

Investments in Model Programs thru February 2003

Agricultural Diversification Program

\$5,168,735.43

59 Counties

Cattle Genetic Program

\$7,090,425.52

102 Counties

Cattle Handling Program

\$9,836,834.02

92 Counties

Forage Improvement Program

\$13,615,118.03

95 Counties

Goat Diversification Program

\$1,887,292

64 Counties

Hay, Straw, & Commodity Program

\$294,000

2 Counties

\$3,576,977.14 Invested in Kentucky Agricultural Diversification in February

State Agricultural Development Funds approved:

\$1,930,000 Kentucky's Cattlemen's Association

Kentucky Cattlemen's Association received \$1,930,000 in State Agriculture Development Funds to establish a collaborative marketing effort by the Kentucky Beef Council, Kentucky Pork Producers, Western Kentucky Growers Cooperative and General Electric Appliances. The collaborative effort will promote the achievements of cattle, swine and vegetable producers in Kentucky and producer groups in the Commonwealth who have received funding through the Agricultural Development Board. The goal of the collaboration is to work together to increase marketing efforts for cattle, swine and vegetable producers, in order to make the commodity a consumer demanded and viable end product. In addition this project will create promotion initiatives that focus the on buyers of Kentucky cattle, and assist those buyers in distinguishing Kentucky cattle from others in terms of quality and consistency. The Agricultural Development Funds for this initiative will come from the \$13,000,000 that was set aside for market initiatives at the January 2002 Board Meeting.

\$430,844.14 West Kentucky Growers Cooperative, Inc.

West Kentucky Growers Cooperative received \$430,844.14 in Agricultural Development Funds to retire 2002 outstanding operating debt and cover the 2001 operating shortfall. The forgivable loan will consist of \$286,000 in state funds, \$55,023 of Daviess County funds and \$29,821.12 of McLean County funds. West Kentucky Growers Cooperative will also be made available up to \$60,000 from the Kentucky Center for Agricultural Development & Entrepreneurship to conduct feasibility studies for value-added products.

\$352,525 Southeast Kentucky Agriculture Cooperative

The Southeast Kentucky Agricultural Cooperative received \$352,525 in state and county funds to build and equip a horticulture receiving and shipping facility in Corbin. The grant will consist of \$154,525 in state funds, \$68,000 in Whitley County funds, \$90,000 in Knox County funds, \$25,000 in Laurel County funds, and \$15,000 in Jackson County funds. The facility will serve as a receiving station for vegetables that will be shipped to and marketed by Cumberland Farm Products in Monticello. Southeast Kentucky Agricultural Cooperative currently consists of 50 area growers with a current production of 226 acres of vegetables with plans to incorporate over 100 producers in the near future. Cumberland Farm Products has entered into a memorandum of understanding with the Southeast Kentucky Agricultural Cooperative in which a core group of Southeast Coop producers will market their produce through Cumberland Farms during 2003 through individual grower contracts to establish production levels and address any quality issues that may arise. If the facility is completed for the 2004 growing season, the produce transferred from the Southeast Coop to Cumberland Farms will increase substantially through the involvement of additional growers.

\$150,000 Central Kentucky Grower's Association

The Central Kentucky Grower's Association received \$150,000 of state funds to update a production line, expand to year-round marketing and to meet the needs of new and existing growers. Currently the Central Kentucky Grower's Association consists of 35 farm families from over nine counties. Recent inquiries have the cooperative estimating the number of growers increasing by as much as 100% for the 2003-growing season. To handle this growth the Central Kentucky Grower's Association will utilize funds to purchase necessary equipment and modify existing equipment for expansion.

\$109,200 Kentucky Heritage Meats, LLC

Kentucky Heritage Meats, LLC received a \$109,200 forgivable loan in county and state Agricultural Development Funds to establish a custom meat cutting processing business in Louisville. The forgivable loan will consist of \$79,200 in state funds, \$10,000 in Nelson County funds, \$10,000 in Washington County funds and \$10,000 in Marion County funds. Kentucky Heritage Meats, LLC will operate from a producer's base of a tri-county area, including Marion, Nelson and Washington Counties. Kentucky Heritage Meats, LLC will purchase livestock from the producer at established markets prices, and on a quarterly basis the producers will receive a "Bonus" payment at a rate of \$.05 cent per pound of carcass weight.

County Agricultural Development Funds approved in February:**\$500 Princeton Recreational, Tourist and Convention Center**

The Princeton Recreational, Tourist and Convention Center received \$500 of Caldwell County funds to assist in establishing and maintaining a website to promote tourism, specifically agri-tourism, in Caldwell County.

\$2,800 Union County Beef Cattle Association, Inc.

The Union County Beef Cattle Association, Inc. received \$2,800 in Union County funds to present a registered bull sale that will give area producers the opportunity to buy and sell quality bulls. Agricultural Development Funds will be used to cover expenses related to marketing and promotion, rental fees on facilities and equipment and mileage to transport rental gates and reimburse the screening committee that will inspect each bull consigned to the sale.

\$25,000 Marshall County Conservation District

Marshall County Conservation District received \$25,000 of Marshall County funds to administer a Lime program for row crop farmers who did not participate in the Marshall County Forage Improvement Program.

\$57,566 Nicholas County Fiscal Court

Nicholas County Fiscal Court received an additional \$57,566 in Nicholas County funds to complete the first round of funds for Nicholas County's pilot Fencing Improvement Program.

\$23,400 Breathitt County Conservation District

Breathitt County Conservation District received \$23,400 in Breathitt County funds to implement a shared-use equipment program for a no-till drill, pasture renovator, and a lime spreader.

\$50,361 Laurel County Cattlemen's Association

Laurel County Cattlemen's Association received \$50,361 in Laurel County funds to establish a cost-share equipment program for a forage wrapper, traveling hard hose irrigation gun system, ground driven lime spreader, a plastic mulch layer and water wheel setter.

\$13,474 Grant County Conservation District

The Grant County Conservation District received \$13,474 in Grant County funds to purchase a Stoltzfus 4 ton WLS OM lime spreader to be utilized by Grant County producers.

\$3,000 Wilderness Trail Area Marketing Alliance

Wilderness Trail Area Marketing Alliance received a \$3,000 contribution of Jackson County funds for additional construction on the marketing facility. The funds will be used for gutters, downspouts, and gable ends.

\$5,741 Jessamine County Beef Cattle Association

Jessamine Beef Cattle Association received \$5,741 of Jessamine County funds to encourage Jessamine County farm families, particularly tobacco farm families to participate in established record keeping programs offered through the University of Kentucky and Kentucky Beef Network.

\$2,600 City of Wilmore

City of Wilmore received \$2,600 in Jessamine County funds to assist in the expansion of the farmer's market located in Wilmore. The funds will be utilized for marketing and promotion for the farmer's market and sunshade umbrellas to be utilized by producers at the market.

\$50,000 Nicholas County Board of Education

Nicholas County Board of Education received \$50,000 in Nicholas County funds to construct and equip a greenhouse at the Nicholas County High School. This application is a cooperative effort of the Nicholas County's Vocational Agriculture staff and students, the Community Education Program, and the Nicholas County School District. Classes will be offered by the Nicholas County Vocational Agriculture staff to three primary groups farmers seeking alternative crops, farmers seeking to learn new and innovative farming techniques and Nicholas County High School students.

NEW PROJECT ANALYST ASSIGNMENTS

In recent months we have had several staff changes at the Governor's Office of Agricultural Policy. We would like to welcome three new faces to our staff. Josh Benton (Intern), Maggie May (Project Analyst), and Brad Wellons (Project Analyst) joined our staff in January. We would also like to wish well some recent departures. DeVon Hankins, Chauncey Morris, Jeff Mosley and Angela Utterback have left our staff to pursue other interests. In light of these staff changes, there have also been changes to the Project Analysts' county assignments.

Adair	Bill McCloskey	Grant	Brad Wellons	McLean	Bill McCloskey
Allen	Bill McCloskey	Graves	Maggie May	Meade	Bill McCloskey
Anderson	Steven Yates	Grayson	Bill McCloskey	Menifee	Penny Cline
Ballard	Maggie May	Green	Bill McCloskey	Mercer	Steven Yates
Barren	Bill McCloskey	Greenup	Penny Cline	Metcalfe	Bill McCloskey
Bath	Penny Cline	Hancock	Bill McCloskey	Monroe	Bill McCloskey
Bell	Brad Wellons	Hardin	Bill McCloskey	Montgomery	Penny Cline
Boone	Brad Wellons	Harlan	Brad Wellons	Morgan	Penny Cline
Bourbon	Steven Yates	Harrison	Steven Yates	Muhlenberg	Maggie May
Boyd	Penny Cline	Hart	Bill McCloskey	Nelson	Bill McCloskey
Boyle	Steven Yates	Henderson	Bill McCloskey	Nicholas	Steven Yates
Bracken	Penny Cline	Henry	Brad Wellons	Ohio	Bill McCloskey
Breathitt	Brad Wellons	Hickman	Maggie May	Oldham	Brad Wellons
Breckinridge	Bill McCloskey	Hopkins	Maggie May	Owen	Brad Wellons
Bullitt	Brad Wellons	Jackson	Brad Wellons	Owsley	Brad Wellons
Butler	Bill McCloskey	Jefferson	Brad Wellons	Pendleton	Brad Wellons
Caldwell	Maggie May	Jessamine	Steven Yates	Perry	Brad Wellons
Calloway	Maggie May	Johnson	Penny Cline	Pike	Penny Cline
Campbell	Brad Wellons	Kenton	Brad Wellons	Powell	Steven Yates
Carlisle	Maggie May	Knott	Brad Wellons	Pulaski	Maggie May
Carroll	Brad Wellons	Knox	Brad Wellons	Robertson	Penny Cline
Carter	Penny Cline	Larue	Bill McCloskey	Rockcastle	Brad Wellons
Casey	Bill McCloskey	Laurel	Brad Wellons	Rowan	Penny Cline
Christian	Maggie May	Lawrence	Penny Cline	Russell	Maggie May
Clark	Steven Yates	Lee	Brad Wellons	Scott	Steven Yates
Clay	Brad Wellons	Leslie	Brad Wellons	Shelby	Brad Wellons
Clinton	Maggie May	Letcher	Brad Wellons	Simpson	Bill McCloskey
Crittenden	Maggie May	Lewis	Penny Cline	Spencer	Brad Wellons
Cumberland	Maggie May	Lincoln	Steven Yates	Taylor	Bill McCloskey
Daviess	Bill McCloskey	Livingston	Maggie May	Todd	Maggie May
Edmonson	Bill McCloskey	Logan	Bill McCloskey	Trigg	Maggie May
Elliott	Penny Cline	Lyon	Maggie May	Trimble	Brad Wellons
Estill	Steven Yates	Madison	Steven Yates	Union	Bill McCloskey
Fayette	Steven Yates	Magoffin	Penny Cline	Warren	Bill McCloskey
Fleming	Penny Cline	Marion	Bill McCloskey	Washington	Bill McCloskey
Floyd	Penny Cline	Marshall	Maggie May	Wayne	Maggie May
Franklin	Steven Yates	Martin	Penny Cline	Webster	Bill McCloskey
Fulton	Maggie May	Mason	Penny Cline	Whitley	Brad Wellons
Gallatin	Brad Wellons	McCracken	Maggie May	Wolfe	Brad Wellons
Garrard	Steven Yates	McCreary	Maggie May		

HAY, STRAW & COMMODITY STORAGE MODEL PROGRAM

At its November meeting, the Agricultural Development Board implemented a new model program: Hay, Straw & Grain Storage.

The goals of this program include:

- 1) Impact a high number of producers affected by loss of income resulting from cuts in tobacco quota.
- 2) Reaching farmers who do not currently employ best practices related to hay, straw and grain utilization and storage.
- 3) Increasing the quality of stored feed and efficiency, which will increase both hay value and the animal gain/ production.
- 4) Enabling grain producers to implement marketing strategies to capture a higher price for their grain than is possible by selling on the cash market during harvest. Grain storage facilities will give livestock producers the ability to utilize grain grow on the farm.

Award of these cost-share funds is based upon evaluation criteria. Approved applicants may be reimbursed 50% of the project cost, up to \$5,000. A requirement for participation in this program is participation in an educational session on "Hay and Straw Utilization and Storage Methods," and/or "Grain Storage and Marketing Methods."



The following amendments were made at the February Board meeting to create the Hay, Straw, and Commodity Storage Program

The following was added to *I. Program Goals*:

5. Giving livestock producers the opportunity to invest in commodity or blended feed storage facilities. The economic benefits of feed storage facilities will be the ability of farmers to purchase commodities or blended rations at bulk rates and improve livestock weight gains. Livestock producers will be able to implement or enhance feeding programs that will increase weight gains adding value to livestock thereby generating higher net returns.

The following was added to *II.B. Eligible Cost-share Items: Commodity Storage*:

2. Repair, upgrade or modernization of existing grain or feed bins.
3. Repair, upgrade or modernization of drying and handling equipment that will increase efficiency, improve quality and/or add value to the grain.
4. Materials to construct a commodity storage facility.

The following was added to *III.B. Application Procedures: Guidelines for Local Agency Administration*:

7. ...should address Hay and Straw Utilization and Storage Methods, and/or Grain Storage and Marketing Methods, and/or Feed and Nutrition workshops respectively.

The following was added to *III.C. Application Procedures: Producer Funding Guidelines*:

9. [after reporting requirement for grain storage improvement]
Recipients qualifying for **commodity storage improvements** shall provide information including, but not limited to:

Estimated tonnage of annual commodities or feed purchased as a result of investment in storage facilities

Estimated dollar savings per ton as a result of investment in storage facilities



COUNTY MODEL PROGRAM UPDATES

Agricultural Diversification Model Program

Addition of scrapies testing cost-share to the eligible items under "Small Animal Production: Sheep"

The following becomes #3 under the sheep portion of the Small Animal Production section:

3. Cost-share (up to 50%) on the testing of breeding sheep for scrapies.
Producers must be enrolled in the USDA Scrapies Eradication Program
Producers must submit all results to the State Veterinarian Office

The following condition for cost-share is added to purchase of ram, semen or breeding stock:

*All cost-share purchases must be scrapies resistant.

Discontinuance of *wine grape rootstock* as an eligible cost-share item

The following is added to Cost Share Items: #1 in the Commercial Fruit and Sweet Sorghum Production investment area: Seeds and rootstock in conformance with UK recommendations. Reimbursement for wine grape rootstock purchased after January 1, 2003 shall not be an eligible investment item in the Agricultural Diversification Program. This provision will be evaluated annually, based upon the recommendations of the State Viticulturalist.

Addition of cost-share items for Transportation equipment for beehives

The following is added to 5.1 Small Animal Production: Bees:

9. Non-motorized equipment essential for the transportation of beehives.

Addition of reimburseable cost-share items for on-farm direct-to-consumer sales activities

The following on-farm direct-to-consumer sales cost-share items are eligible investments under each investment area:

- a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product. Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.
- b. Site preparation including on-site utility extensions and officially permitted on site waste treatment facilities
- c. Refrigerated equipment for storing product.
- d. Display equipment, including refrigerated equipment, to assist in selling of product

Additionally, the maximum amount allowable for promotional and advertising materials in each of the investment areas has been increased to \$1,000.

To keep up to date on changes and reporting information on the
model programs check out our website at
http://www.kyagpolicy.com/funds/model_programs.shtml

COUNTY MODEL PROGRAM UPDATES

Goat Diversification Model Program

Amendment to establish ownership requirements for breeding stock.

The following was added to *II-B-1. Cost-share Items: Bucks*:

a. Ownership Requirements: Ownership of bucks must be maintained for a minimum of two (2) successive breeding seasons. The only exceptions are listed below:

i. **Genetic Diversification Clause** - In the event that a producer retains female offspring sired by the buck for use as breeding stock, the buck may be sold, but **MUST** be replaced by another buck of equal or greater value. The replacement animal is not eligible for cost-share funds.

ii. **Emergency Early Release Clause** - The local program administrator shall reserve the right to approve an early release, if it is determined that an animal, due to physical or disposition problems, is no longer considered sound for breeding purposes. The local program administrator can require the animal to undergo an examination by a licensed veterinarian to assist in determination.

The following was added to *II-D-1. Cost-share Items: Breeding females*:

a. Ownership Requirements: Ownership of does must be maintained two (2) years. The only exceptions is listed below:

Emergency Early Release Clause - The local program administrator shall reserve the right to approve an early release, if it is determined that an animal, due to physical or disposition problems, is no longer considered sound for breeding purposes. The local program administrator can require the animal to undergo an examination by a licensed veterinarian to assist in determination.

Loss due to natural disasters or situations beyond the producer's control will not prevent future participation in the program.

Amendment to add small livestock scales.

The following was added to *II A. On-farm Goat Handling Equipment*:

12. Small livestock scales: Scales are an important part of effectively monitoring and evaluating the growth and health of a herd. They are also critical in providing accurate information for marketing purposes.

Amendment to set minimum age requirements for bucks.

The bold words were added to *II-B-1. Cost-share Items: Bucks*:

1. Bucks must be **at least 6 months of age**, in good health, have all required health papers, and be up to date on their CDT vaccinations. Bucks must be registered full bloods or purebreds with permanent identification.

Amendment to convert tobacco barns for goat production.

The following was added to *II. Eligible Cost-share Items: A. On-farm Goat Handling Equipment*:

13. **Tobacco barn renovation**: Materials to renovate existing tobacco barns for use in goat production. Goat handling and kidding must have adequate protection from weather, particularly if done in the late fall, winter or early spring.

CHECK PRESENTATIONS

Little Kentucky Smokehouse

Little Kentucky Smokehouse, LLC is the new enterprise of the owners of Union County Livestock, Inc., Jimmy and Linda Baird, David and Connie Simmons and John Sharp. These long-time residents of Union and Daviess Counties have been successful hog farmers and meat processors for many years, but with this new venture they plan on moving this family oriented company into a national value-added market.

The Kentucky Agricultural Development Board approved a \$950,000 forgivable loan to Little Kentucky Smokehouse for use in the construction of the \$2.45 million meat processing plant, which will be located in Union County. The new facilities will allow the company to produce source verified, quality controlled, vacuum bagged, pasteurized, labeled and bar coded products that would meet standards for national and international trade. The initial products that will be in large markets throughout the state and beyond include: peppered, smoked, honey, and brown sugar cured boneless hams; smoked semi-boneless hams and bone-in hams; and smoked, bar-b-que'd, and plain ribs. They are currently working on new products to add to this selection.

This substantial investment by the Agricultural Development Fund will not only benefit the Little Kentucky Smokehouse, but also Kentucky hog producers. Initial product for the company will be sourced through the Central Kentucky Hog Marketing Association. Little Kentucky Smokehouse is not only creating a new market for these producers, but also it will offer all contracted producers a \$5 per cwt premium for providing hormone and anti-biotic free hogs that have not been fed re-processed animal tissue.



Kentucky Association of Second Harvest Food Banks



Kentucky Association of Second Harvest Food Banks received state Agricultural Development Funds to establish a pilot program in Kentucky to facilitate the purchase of surplus produce and meat products from Kentucky Co-ops and producers. The \$50,000 in funds will be used to purchase refrigerators and freezers in five Kentucky Food Banks to store the fresh produce until it can be distributed to those in need. The five Food Banks cover 104 of Kentucky's 120 counties, and plans are to increase aid to all 120 counties by 2004.

Kentucky Association of Second Harvest Food Banks began purchasing Kentucky produce in late August 2002, since that time they have purchased over \$15,000 from Kentucky producers. The Association is committed to supporting Kentucky producers by purchasing no less than \$50,000 in produce and other perishable agricultural products over the next year. This alliance is a win-win situation for Kentucky, creating new markets for Kentucky producers and allowing food banks to purchase perishable products for families in need.

CHECK PRESENTATIONS

Commonwealth Agri-Energy

Hopkinsville Elevator Co., Inc. is a 2,300 member grain co-operative headquartered in Christian County. Started in 1968, the cooperative also has elevators located in Todd, Warren, and Logan Counties, as well as a barge loading facility in Clarksville, Tennessee. The cooperative has formed Commonwealth Agri-Energy, LLC to undertake the development of a 20 million gallon-per-year fuel ethanol processing plant in Hopkinsville, at a cost of approximately \$32,800,000. When in operation, the ethanol plant will process approximately 7 million bushels of wheat and corn grown within the Hopkinsville area. Annually the plant will produce 20 million gallons of fuel grade ethanol plus another 58,400 tons of distiller's dry grains (DDGS).



Green River Cattle Company

Green River Cattle Company (GRCC), a farmer-owned and managed Central Kentucky corporation, envisioned connecting local beef producers with consumers in Kentucky. In 2001, the corporation received Green County Agricultural Development Funds to find the answer to the question "Can beef cattle finished in Kentucky be marketed profitably?" After one and one-half years of planning and initial production, GRCC implemented their direct marketing trial of locally produced beef in June of 2002.



The innovative market study has given the farmers a focus for the future of their community based market alliance. A community based food system, offering source and process-verified beef has advantages for all participants, from the producer to the consumer. The study reaffirmed that fact that local control, focusing on quality over quantity, can result in products responsive to market demands, while maintaining or enhancing food safety. GRCC is now transitioning from a research group to a small business enterprise and currently has its products on the menu at two Louisville restaurants: Lilly's and Equus.



"I applaud the Agricultural Development Board for its creation of a public program that's doing so much good for the Kentucky agricultural community. Most of all, I'm proud of the folks at the Green River Cattle Company -- for the high quality of their beef, for the wide variety and broad price range they offer, along with their thorough business practices -- it's been a joy to work with them at our restaurant, and to know that they will deliver the highest quality of beef that matches the reputation of Lilly's cuisine", said Kathy Cary. "This is a win-win situation, and something we can all be very proud of!"

KCADE KORNER

Farm Family Education Expo

The Governor's Office of Agricultural Policy, the Cabinet for Workforce Development and the Kentucky Center for Agricultural Development and Entrepreneurship sponsored the Farm Family Education Expo at Greenbo State Resort Park in December and Buckhorn State Resort Park in March. This one-day series of workshops was designed to explore opportunities and services that can help farm families manage the economic transition they are facing within Kentucky's changing agricultural economy.

This Education Expo included workshops focusing on computer skills, exploring off-farm employment opportunities, updating financial management skills, developing a business plan, and diversifying farm operations. Two special panel sessions, one on integrated forest management and another on goat production, focused on specific enterprises for agricultural diversification. These panels brought together marketing and production experts, as well as local producers, to answer questions in these areas of diversification.

For more information about programs like this in your area, please contact the Special Events Coordinator for the Center at (502) 564-4627.

Blueberry Production Workshop

The University of Kentucky, in cooperative with the Kentucky Center for Agricultural Development and Entrepreneurship hosted a Blueberry Production Workshop, Wednesday February 26th at the Metcalfe County Cooperative Extension Office. Over sixty people braved the winter weather to hear production and marketing specialists from UK talk about this exciting new enterprise.

According to Dr. John Strang, blueberries are beginning to be recognized as an excellent agricultural diversification crop for some growers. They are one of the few native Kentucky crops and are one of the most dependable producers of all the fruit crops. The long term potential and market for blueberries is good; however it does take 3-4 years to get into production and some farms may not have a suitable site for this crop. This workshop was designed to provide growers with the basics for establishing a commercial blueberry operation.

For more information about Blueberry production or to receive materials from the workshop, contact the Special Events Coordinator for the Center at (502) 564-4627.



MARKET STUDY UPDATE

The Kentucky Center for Agricultural Development and Entrepreneurship has funded several marketing and feasibility studies on new and emerging entrepreneurs. Below is a brief update on the status of each study.

The Kentucky Wine Market Feasibility Assessment, conducted by the California consulting firm Motto, Kryla, Fisher was presented to the Agricultural Development Board at its July 2002 meeting. A position statement issued by the Board in light of the study findings is available on our website.

Biomass Feasibility Study was presented to the Agricultural Development Board at its December 2002 meeting. The focus of the study conducted by UK's Department of Agricultural Economics was analyzing the farm profitability of supplying biomass.

Soybean Marketing Study was presented to the Agricultural Development Board at its January 2003 meeting. This two-part study, conducted by Market Solution, LLC., covered market opportunities for *Food Uses of Kentucky Soybean* and a *Pre-feasibility Analysis for a Cleaning and Processing Facility for Kentucky Soybeans*.

Kentucky Aquaculture Marketing Study was presented to the Agricultural Development Board at its February 2003 meeting. The study, conducted by the VanErden Group, gives an assessment of the Kentucky Aquaculture Industry and recommendations for the development of the infrastructure in this industry.

The Vermiculture Marketing Study is due to be completed by April 2003.

Meat & Dairy Goat Marketing Studies are due to be completed by May 2003.

To request copies of completed studies that have been presented to the Agricultural Development Board, please send a written request to our office either by fax, (502) 564-8990, or by email, govkyagpolicy@mail.state.ky.us. Please specify which study you are requesting

MAGOFFIN COUNTY COUNCIL MEMBER AVAVIAN WILLIAMS

Like so many county agricultural development council members across the Commonwealth, Avavian Williams works at her full-time job and also volunteers for the agricultural development process. As Chairwoman of the Magoffin County Council, Avavian devotes many hours to making phone calls and attending local meetings. As questions arise concerning model program guidelines or the application process, she tries to get the answers out to Magoffin County.



Having farmed all her life, Avavian has provided her advice and experience as a member of the Soil Conservation Board, the FSA Area Committee, the Goat Association, and the Cattle Association. As a member of the Magoffin County Agricultural Development Council, she and the other members establish the county priorities for agriculture in their county. Their diverse county council is made up of beef producers, tobacco producers, an FFA teacher, and a retired state worker who work together to utilize the funds in the county. Avavian says, "Our biggest goal is to make sure the money is used in a proper way and gets to the people the program was designed to help: the tobacco producers." As a county council member, she feels that it is her responsibility to, "work for the producers, to serve them."

She has been excited about the opportunity to not just talk about those priorities but to have county funds available to implement those opportunities. Magoffin County has seen some changes as a result of the programs that have been given high priorities from the county council. She notes that, "At first, there was little participation in the programs but now it has increased, especially in forage and goats." However, despite their efforts to encourage producers to diversify, Avavian admits that there is still resistance to change. She hopes that the county can find ways to give back some of the income tobacco producers have lost.

AGRICULTURAL DEVELOPMENT LEADERSHIP & TRAINING FORUM

The Agricultural Development Leadership and Training Forum was held to give community leaders an opportunity to come together and discuss the Kentucky Agricultural Development Fund and their role as leaders in developing projects to utilize the funds.

Two "Leadership Training Sessions" were offered at this event. The "Agent and Community Forum" welcomes extension agents, all members of the agricultural community and local government to come and learn more about the Agricultural Development Fund, and how this fund is beneficial to the entire community. The "County Council Leadership Training" session was open for any county council member to attend and will focus on the important role of the County Council in the agricultural development effort. Each of the moderated training sessions included a panel of individuals involved in the agricultural development process, as it relates to the session's title.

The "Agricultural Development Regional Forum" brought all participants back together at the end of the evening to discuss possible regional projects, coalitions and discuss issues of interest to the region.

For more information about programs like this in your area, please contact the Governor's Office of Agricultural Policy.

Grant Information

Farm Bill Grant programs
<http://www.usda.gov/farmbill>

KDA Horticulture
Advertising Grant
http://www.kyagr.com/mkt_promo/hort/programs/hort/Adcostshare.htm

Sustainable Community
Innovation Grant (July 2003)
http://www.griffin.peachnet.edu/sare/scig_page.html

Technology Opportunities
Program Competitive Grants
<http://www.ntia.doc.gov/top/grants/grants.htm>

For more funding opportunities visit:
<http://www.kyagpolicy.com/kcade/grant.shtml>

SAVE THE DATE

- March 31 Kentucky Tobacco Settlement Trust Board Meeting
Capitol Annex, Room 110
11:00 a.m. - Noon
- March 19 Agricultural Finance Corporation
Berry Hill Mansion, Frankfort
9:30 a.m.
- March 21 Agricultural Development Board Meeting
Kentucky History Center, Frankfort
10:00 a.m.
- March 26 Governor's Commission on Family Farms
TBA
- April 21 Agricultural Development Board Meeting
Marriott Griffin Gate, Lexington
TBA
- April 21 Governor's Office of Agricultural Policy Annual Meeting
Marriott Griffin Gate, Lexington
- April 30 Governor's Commission on Family Farms
TBA
- May 16 Agricultural Development Board Meeting
TBA
- May 28 Governor's Commission on Family Farms
TBA



2nd Annual KY Opportunity Marketplace

On April 21, 2003, the Governor's Office of Agricultural Policy and the Kentucky Center for Agricultural Development & Entrepreneurship will present the 2nd Annual KY Opportunity Marketplace / ADF Annual Meeting at Lexington's Marriott Griffin Gate hotel.

This year the annual meeting of County Council members and the Marketplace exhibits and workshops will be combined into one day. Projects funded through the Agricultural Development Fund will be featured in the exhibit area, along with agencies, universities and organization important to Kentucky's agricultural and rural communities.

A wide variety of workshops will be available in one of two categories: agricultural diversification, leadership & technical assistance. The agricultural diversification workshops will feature producers who have experience in a particular enterprise in both production and marketing. The leadership & technical assistance workshops will provide opportunities for County Council members and others to broaden their skill sets in such leadership topics as *Cultivating New Ideas* or technical assistance topics as *Using Your Computer for Marketing*.

If you are interested in exhibiting, presenting a workshop or participating, then please contact Sandy Gardner (502) 564-4627. This year's event will have a small fee associated with exhibiting and participation.

Mark your calendars and keep an eye out for more information to follow.

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